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SUBJECT: UPDATE ON THE CPPE BELT'S ARTISANAL MINING

REF: A. 06 KINSHAS 1590

[1](#)B. 06 KINSHASA 1500

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[1](#)1. (SBU) Summary. Artisanal mining in Katanga province continues to create security, financial and legal problems for mining companies. With support from the USG and other members of the international community, social development efforts are underway to attempt to address the myriad of issues artisanal mining poses and to assist the local mining communities. The programs are in their infancy, however, and thus have not yet had significant impact. End summary.

[1](#)2. (U) EconOff and USAID officers visited mining concessions from February 19-23 in Fungurume, Kolwezi, Dikulushi and Lubumbashi in Katanga province to speak with mining company managers about ongoing artisanal mining concerns and to see the progress of social development plans. Fungurume is the operations base for Phelps Dodge's Tenke Fungurume Mining (TFM) copper/cobalt project. (Note: Freeport-McMoran recently acquired Phelps Dodge. End note.) Australian company Anvil Mining (listed on the Toronto and Australian stock exchanges) runs a copper tailings project near Kolwezi and copper/silver mine in Dikulushi, northeast of Lubumbashi, Katanga near Lake Mweru. South African company Metorex treats copper and cobalt tailings and is developing a copper/cobalt sub-soil mine on the outskirts of Lubumbashi.

Artisanals  
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[1](#)3. (U) Artisanal mining poses substantial financial, security and legal threats to the DRC's growing mining sector, as discussed in reftel A. Artisanal miners frequently trespass on mining concessions and extract ore without authorization, causing financial loss for companies. Further, mining accidents on the concessions are common, potentially imposing liability on the concession-holders. Artisanal miners also pose security risks to the mining companies, primarily because of their occasionally violent resistance to removal or exclusion from mine sites, as in Anvil's case (reftel A). The number of artisanal miners, their communities around the mines, and the accompanying risks, continue to grow as word spreads of the development of the mining projects and social infrastructure programs. For example, Pact Congo (Pact) and Anvil staff told EconOff one village near the Anvil concession in Kolwezi has swelled from 60 residents to 6,000. Unable to find other work, some of these persons resort to artisanal mining. TFM and Anvil officials say they can potentially employ only a fraction of those people. For example, Anvil currently has about 600 employees, 36 of whom are expatriates.

[1](#)4. (SBU) Mining officials with whom EconOff met in February said they have seen no appreciable change in the numbers of artisanal miners on their concessions, but that the

surrounding communities have grown in the last six months, as have the accompanying risks discussed above. TFM officials said although they continue to tightly control access to their concession, and thus have few illegal diggers on-site, artisanal miners have been gathering in significant numbers near the north border of TFM's concession, seeking jobs and access to the mine sites. (Note: TFM removed many artisanals from the concession shortly after obtaining rights to it in 2005. End note.) TFM officials say this is creating a potentially serious security risk. TFM also faces ongoing local pressure to employ local residents, although it has thus far managed to diffuse any serious violence. TFM's social development director said that as part of the company's effort to prevent security incidents, staff are repeatedly informing local communities that the project will employ only a fraction of the job-seekers. TFM currently has about 1000 employees, most of whom are Congolese. It plans to employ no more than 2000 during the peak construction phase, and less than half that figure once mining begins.

15. (SBU) Anvil Mining is struggling to resolve more pressing concerns the artisanal miners' presence poses in Kolwezi. At the time of EconOff's visit to Anvil's Kolwezi site, at least several hundred artisanals were trespassing daily onto the concession. Tension between Anvil and artisanal miners has increased since at least April 2006, when a conflict escalated into violence, resulting in the deaths of three persons (reftel A). Anvil has since alternated its policies between trying to exclude artisanal miners from the concession and allowing them free entry. Anvil also experimented with purchasing tailings directly from the

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miners on its concession, but the effort was a financial and logistical failure. Anvil managers say, regardless of their approach, the miners continue to collect and sell thousands of tons of high grade copper and cobalt tailings to unauthorized traders and that the complicity of police and other local authorities in the illegal trade has hampered the company's efforts to stem the theft. Anvil estimates its weekly loss at USD 250,000, and its official production was 50 percent below target as of late February.

16. (SBU) Metorex and the London AIM-listed Nikanor are also trying to find ways to address their artisanal mining issues. A Nikanor manager told EconOff 4,000 to 5,000 artisanal miners are on its Kolwezi concession. Metorex, operating the Ruashi Mine, says it regularly has 2,000 to 3,000 artisanal miners on its concession, including an open pit that has been the site of at least one fatal cave-in (reftel B). The general manager said about 2,000 artisanals entered the Ruashi mine in February after Chemaf, an Indian-owned trading and mining company, ejected the same miners from one of its concessions. Ruashi's managers would not take EconOff to their mine site, suggesting it was not safe to do so. Pact Congo project manager told EconOff he had tried to visit the Ruashi mine the same week and that large demonstrations of artisanal miners prevented his entry. Dempsey admitted to EconOff the company has not yet figured out how to resolve these problems.

#### Social development

17. (SBU) To try to mitigate the risks posed and relieve some of the pressure on the growing communities, mining companies and NGOs, with USG support, have launched social development projects over the last three to four years. Initially, mining companies launched these efforts on their own in an ad hoc fashion, building schools, wells and medical clinics as they deemed necessary. In the last one to two years, NGOs such as Pact have worked jointly with some mining companies to help make these projects sustainable and to develop a more comprehensive strategy. Pact is working with Anvil and TFM to build bridges, additional wells and covered village marketplaces, develop a brick-making operation, small-scale

farming, micro-enterprises (such as bakeries and sewing) and literacy programs, and to involve the communities in the management and maintenance of these projects. Through USAID, the USG is contributing USD 3.5 million over a five-year period to Pact's projects, against USD 8 million that Anvil, TFM and U.K.'s development agency (DFID) have pledged. Other companies, such as Metorex and Toronto stock exchange-listed First Quantum (FQ), have sought Pact's guidance on specific artisanal mining issues; FQ is also considering formalizing the relationship.

Comment

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18. (SBU) The diverse social, economic and security issues surrounding artisanal mining communities in Katanga province will not be solved in the near future. Even short-term solutions will require the expenditure of substantial sums of money and continued support from the GDRC and international community. Though the mining companies' motivation to find solutions is no doubt due primarily to shareholders' financial and legal interests, their engagement on the issue is welcome. End comment.

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